

WROE-ALDERSON LECTURE

SPRING 2016

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Where: JMHH 255

When: 3:00 PM to 4:20 PM

PERFORMANCE GROWTH AND OPPORTUNISTIC MARKETING SPENDING

ABSTRACT: Marketing executives are under pressure to produce revenue and profit growth for their brands. In most cases that involves requesting gradually higher marketing budgets, which is expensive, especially considering the known diminishing return effects of marketing. However, in reality, brand sales tend to evolve not gradually, but rather in spurts, i.e. short periods of sales evolution alternating with longer periods of stability. We use the Wang-Zhang (2008) time-series test to identify such growth-spurt periods, which represent opportunity windows for the benefitting brand. We then relate these windows to exogenous events such as positive product reviews, which create a temporarily more benevolent environment for the brand. We suggest brand managers be vigilant to catch and take advantage of such opportunity windows to generate sustained growth at low cost, and derive the implications of such vigilant spending for marketing budget setting. Our empirical illustration is based on several brands in the digital single-lens reflex (DSLR) camera market. It demonstrates, among other things, that competitors in this market typically do not take advantage of windows of growth opportunity offered by positive product reviews.